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Global Agricultural Information Network

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Thailand

Food Processing Ingredients

2014

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Report Highlights:

TH4139 Thailand is one of the world's leading agricultural suppliers, primarily due to its well-developed food processing sector. The country has among the most advanced food processing industries in Southeast Asia, which enables it to export value-added products to international markets like Europe, Japan, China, and the United States. In addition, opportunities in Thailand's food processing sector continue to grow as domestic sales of processed foods continue to rise driven by strong demand from the retail and food service sectors.

Post:
Bangkok

Executive Summary:
Economic Situation and Market Summary

Thailand's agriculture sector accounts for more than 10 percent of the country's Gross Domestic Product (GDP) and employs nearly 40 percent of its labor force. It is a major exporter of rice, seafood, poultry, sugar, meat, vegetables and fruits. The country is also a major importer of agricultural products, including a wide range of food and beverage products and food ingredients. Moreover, Thailand has among the most advanced food processing industries in Southeast Asia and is one of the world's leading agricultural suppliers. The growth in Thailand's food processing sector provides opportunities for exporters as demand for imported ingredients from retailers and food service providers continue to rise.

Thailand's 10 Major Exported Agricultural Product 2009-2013					
					(Million Dollar)
Products	2009	2010	2011	2012	2013
Natural rubber	5,103	9,352	14,449	10,821	10,256
Rice and products	5,349	5,703	6,830	5,098	4,873
Fishes and products	2,845	3,125	3,679	4,227	3,976
Cassava and products from cassava	1,475	2,111	2,548	2,713	3,114
Fruits and products	1,772	1,990	2,668	2,487	2,635
Shrimps and products	2,730	3,192	3,630	3,106	2,257
Sugar and products	2,005	2,409	3,836	4,251	2,204
Products from chicken meat	1,425	1,648	1,978	2,180	2,174
Vegetable and products	568	607	703	677	681
Residues and waste, prepared animal fodder	434	569	642	540	547
Other agricultural products	4,434	5,134	6,430	7,076	7,709
Total	28,141	35,839	47,392	43,174	40,424

Source: Customs Department and Office of Agricultural Economics, Ministry for Agriculture and Cooperatives

Thailand's 10 Major Imported Agricultural Product 2009-2013					
					(Million Dollar)
Products	2009	2010	2011	2012	2013
Fishes and products	1,726	1,878	2,406	2,747	2,638
Residues and waste, prepared animal fodder	1,269	1,499	1,581	1,897	2,085
Soya beans	694	814	1,128	1,287	1,016
Fruits and products	413	511	647	794	847
Cotton, not carded and combed	486	736	1,121	753	731
Milk and products	282	486	607	606	645
Food preparations of flour	337	396	491	618	601
Durum wheat	315	447	505	831	596
Vegetables and products	228	278	361	411	461
Beverages	216	258	326	358	397
Other agricultural products	1,975	2,506	3,278	3,654	3,990
Total	7,941	9,809	12,452	13,955	14,008

Source: Customs Department and Office of Agricultural Economics, Ministry for Agriculture and Cooperatives

Thailand's economy is forecast to grow between 1.5 - 2 percent in 2014 compared to 2.9 percent growth in 2013. The political disruption in the first five months of 2014 slowed the recovery of its export sector and the continued decline in car production and sales also contributed to the slower economy. Economists expect that the Thai economy will improve in the second half of 2014 driven by government spending and an improvement in business and consumer confidence. These two factors are anticipated to jumpstart the economy and result in an increase in foreign investments. In July, the National Council for Peace and Order approved a 2.4-trillion-baht infrastructure plan that would fund a dual-track rail, electric trains, highways, waterways and airports project. In addition, the new government installed by the military is still working to approve other long-delayed infrastructure projects, but the benefits of such spending may not be seen until 2015 or later.

Exports are also expected to improve as the global economy recovers. Economists expect that Thai exports will grow by 5 -7 percent and will be one of the most important factors spurring economic growth in 2014. The agricultural sector has already expanded by 2.2 percent, increasing from 1.4 percent in the first quarter of 2014. Key products with positive growth include off-season rice, rubber, and oil palm. However, cassava and white shrimp exports contracted in the second quarter of 2014. Agricultural prices also continued to decline, causing farm income to be fall by 2.6 percent.

Export Value of Major Products in Food Industry											
		2012	2013	2013				2014			Unit: Million Dollar
	2012 (TH)			Q1	Q2	Q3	Q4	Q1	Q2	Q1-Q2*	
1. Fisheries	248,740.75	8,003.24	6,826.24	1,708.12	1,573.69	1,728.51	1,815.92	1,508.62	1,479.16	2,987.78	
YoY (%)		1.48	-15.67	-6.30	-19.40	-20.73	-15.08	-6.25	-0.23	-3.36	
QoQ (%)				-20.12	-7.87	9.84	15.06	-11.81	-1.95		
2. Livestock	79,414.95	2,555.18	2,585.82	648.84	574.72	652.76	709.50	627.61	692.50	1,320.11	
YoY (%)		19.71	0.06	4.61	-5.49	0.65	0.29	2.68	27.90	14.53	
QoQ (%)				-8.28	-11.42	13.58	8.69	-6.10	10.34		
3. Fruit and vegetables	102,263.36	3,290.33	3,195.51	713.42	818.56	891.91	771.63	787.37	1,038.34	1,825.72	
YoY (%)		3.44	2.77	2.96	-2.04	-16.48	5.51	17.15	34.65	26.50	
QoQ (%)				-2.45	14.74	8.96	-13.49	8.32	31.87		
4. Rice and cereals	271,983.99	8,751.09	8,985.84	2,250.40	1,920.80	2,253.18	2,561.45	2,534.22	2,300.62	4,834.85	
YoY (%)		-14.16	1.53	11.32	-10.96	5.35	1.11	19.54	27.14	23.04	
QoQ (%)				-11.17	-14.65	17.30	13.68	5.02	-9.22		
5. Sugar	124,702.48	4,012.31	2,837.53	738.95	1,100.22	625.41	372.95	533.74	805.81	1,339.56	
YoY (%)		12.56	-30.08	-39.62	-26.60	-34.68	-1.28	-23.33	-22.25	-22.69	
QoQ (%)				95.60	48.89	-43.16	-40.37	51.92	50.97		
6. Other food products	62,223.18	2,002.03	2,187.99	539.62	543.71	573.24	531.43	454.99	597.98	1,052.97	
YoY (%)		1.62	8.06	3.10	5.06	22.39	3.08	-10.50	16.75	3.18	
QoQ (%)				4.67	0.76	5.43	-7.29	-9.12	31.43		
Total	889,328.71	28,614.18	26,618.92	6,599.35	6,531.69	6,725.00	6,762.88	6,446.56	6,914.42	13,360.98	
YoY (%)		-1.10	9.31	-4.43	-13.71	-9.87	-8.77	3.69	12.37	8.01	
QoQ (%)				-5.78	-1.03	2.96	-4.98	7.09	7.26		

Source: Office of Industrial Economics, Ministry of Commerce
* Estimated figures

Post estimates the ongoing global economic situation could force Thai food exporters to shift their focus to other Asian and emerging Middle Eastern markets to offset losses from traditional markets like the EU and the U.S. Falling oil prices has helped reduce production and shipping costs for food manufacturers and a weaker Thai baht has helped Thai food manufacturers compete with other food exporting countries. For the first half year of 2014, the average currency exchange rate stood at 32.56 baht per US dollar. Despite the stagnant global economic situation, Thai food manufacturers still seek high-quality food ingredients at reasonable prices. The US is considered to be a world leader in food ingredient technology and one of the major food ingredient suppliers to the world, thus, Thai importers look to U.S. suppliers for new functional food ingredients, flavors and other ingredients. U.S. suppliers should promote health and wellness benefits in food products.

Thai food processing businesses are very important for the Thai economy as they produce value-added products primarily destined for export markets and generate tremendous employment opportunities for

the country. For example, in 2010, processed food exports totaled more than \$24 billion or 13.3% of the total national export value. An estimated 8,200 food processing factories employed roughly 1.4 million laborers in the food industrial sector. Industry experts believe the ASEAN Economic Community (AEC) (which will come into force in 2015) will create additional opportunities for Thailand's food processing industry.

In 2013, Thailand's food and agricultural exports to China, Japan, United States, United Kingdom, the European Union, and ASEAN countries totaled more than \$32 billion. Thailand's food industry is divided into four major categories: primary agricultural products, livestock and poultry, fisheries, and processed foods. Thailand's processed food sector has more than 10,000 food and beverage processing factories. Most of these factories, which are small-to-medium size, serve mostly the domestic market, while medium-to-large food processors tend to produce higher-valued products for the domestic and export markets.

Demand for food products is shifting away to a wider array of processed foods available in large supermarkets from unprocessed foods found in fresh markets. Thailand's exposure to international food products has led to significant changes in consumer attitudes and consumption patterns. Moreover, the rapid urbanization and the growing number of women in the workforce have also increased demand for processed foods and ready to eat meals. Frozen food products, particularly frozen-ready meals, desserts, and seafood, show the biggest growth. As a result, retail food outlets are increasing their product lines of ready-to-eat food products that are normally found in convenience stores like 7-Eleven, Family Mart, and Lawson 108. Demand for these ready-to-eat products are also fueling interests in western processed food products as they are perceived as being higher quality than domestically processed food. With rising demand for processed foods, Thai food processors must import large quantities of food ingredients that are not locally available.

PRODUCT	UNIT	2010	2011	2012	2013	2014 (JAN-OCT)*
Fish sauce	ton	67,674,763.02	67,930,657.22	69,129,080.97	67,580,589.42	52,914,762.06
Sugar (raw/white)	ton	3,704,941.14	5,296,220.15	5,265,507.42	4,998,395.85	4,994,013.03
Soy sauce	liter	2,623,072.36	2,595,922.46	2,563,373.56	3,031,144.36	2,695,506.30
Raw sugar	ton	2,365,364.49	3,853,211.65	3,911,086.35	3,680,499.11	3,815,295.08
Palm oil (pure/raw)	ton	967,672.52	1,217,097.81	1,260,124.82	1,337,952.89	1,123,600.52
Frozen & chilled chicken meat	ton	722,108.37	715,505.35	781,689.84	638,404.41	472,437.36
Tapioca Flour	ton	684,585.56	824,342.17	907,097.31	861,802.68	780,943.95
Canned fish tuna	ton	438,864.08	420,164.66	460,926.83	462,486.03	361,638.46
Canned pineapple	ton	211,640.08	344,690.88	269,817.66	234,332.98	143,189.68
Pasteurized milk	ton	195,108.54	220,162.04	250,197.12	292,215.48	258,812.21
Soybean oil (pure/raw)	ton	148,754.11	181,187.50	152,293.72	114,926.52	104,728.65
Fruit juice	ton	123,628.97	158,539.43	151,664.42	98,754.15	90,624.82
Chilled or frozen prawn&shrimp	ton	117,936.32	114,575.68	92,319.89	51,379.21	33,311.55
Ice-cream	ton	76,279.52	79,370.58	94,429.46	100,678.22	80,267.77
Chilled or frozen fish	ton	51,526.90	59,907.53	60,337.08	66,498.31	59,654.48
Canned fish sardine	ton	36,759.87	52,473.24	63,277.12	49,318.02	34,696.09
Dried fruit&vegetable	ton	26,498.96	21,981.47	22,165.77	21,182.49	17,298.78
Chilled or frozen squid	ton	26,487.71	25,564.61	23,306.14	22,044.54	21,155.67
Processed meat products (sausage, ham, pork meat ball)	ton	17,145.95	20,113.04	20,906.77	22,181.71	18,809.92
Wafer	ton	12,976.10	14,208.98	13,933.13	16,671.82	16,173.07

* Preliminary Figure
Source: Office of Industrial Economics

Thailand’s food processing industry has developed rapidly in the past decade and is one of the most developed in South East Asia. Thailand has more than 10,000 food and beverage processing factories consisting of small, medium, and large scale plants. Most of these factories, which are small to medium size, serve mostly the domestic market, while medium to large food processors tend to produce higher-valued products for the domestic and export markets.

In 2013, Thailand’s food ingredient imports exceeded \$2.5 billion, a 12 percent increase from the previous year. The food ingredient market continues to grow due to increases in population and in purchasing power, increases in the number of dual income families; and new product development. Although domestic ingredients hold the greatest share of the market, these items tend to be of low-value. High-value raw and semi-processed products such as grains, vegetable oils, and starches are generally not available locally and must be imported.

Thailand’s food processing sector is heavily export-oriented with more than 50 percent of production sold outside the country. Despite the global economic situation, Thai food manufacturers still seek high-quality food ingredients at reasonable prices. The United States is considered to be a world leader in food ingredient technology and one of the major food ingredient suppliers to the world. In this market, U.S. suppliers should focus their attention on new functional food ingredients, flavors, and other ingredients that promote the health and wellness benefits in foods.

The following are general characteristics of the Thai food processing industry:

- Demand for The Thai market for raw materials is growing. Raw inputs for the food processing sector are primarily supplied by Thai companies.
- Thai companies are shifting to imported ingredients for new products.
- Move toward better quality ingredients, despite higher costs.
- Major food exporters have expanded their production capacity through the purchase of new machinery or upgrades to meet the demand for a variety of products and satisfy international quality standards including HACCP and ISO.

The following is a summary of the advantages and challenges facing U.S. exporters of processed food products and ingredients to Thailand

Advantages	Challenges
Thailand has a relatively well-developed food processing sector. The country is a major producer and exporter of processed food products.	Thailand is a country with abundant raw materials, making entry of traditional raw ingredients difficult.
The food processing sector’s active involvement in R&D activities and constant new product introductions create new demand for new food ingredients.	Many suppliers of food ingredients in Thailand are able to produce products domestically that meet international standard and high import tariffs help protect national suppliers.
U.S. products are perceived as premium products with consistent quality.	Strong competition on the local market from domestic producers, and increasing imports from the EU and nearby countries.
Increasing Thai exports of food products drive	U.S. products, especially soy based products,

demand for food ingredients and the growing number of companies paying attention to quality over cost for food ingredients.	are experiencing some issues with biotech content. There is no problem with foods destined for local consumption, but there are issues for exports to the EU and Japan.
The international food service industry is expanding numbers of companies entering the market and in the number of outlets. Rapid growth of the fast food sector has stimulated related businesses such as bakery products, dairy products, meat and poultry, etc.	Local production is increasingly substituting traditional food imports. Snack foods, salad dressings, sauces, jams and other processed foods that are relatively inexpensive, but have high freight costs, are increasing produced locally.
Consumption of bakery products in Thailand is growing rapidly due to changing consumer behavior.	Low cost food ingredients from China and locally produced food ingredients.
Healthy food and beverages are becoming increasingly popular due to growing health awareness of the urban population.	Natural ingredients such as minerals, vitamins, fiber, calcium, etc. are presently still a niche market.
Increased foreign investment raised standards and forced the utilization of higher quality imported food ingredients.	High import tariffs for U.S. imported ingredients have caused some Thai importers to source products from other countries that Thailand has an FTA with.
Growing popularity of U.S. fast food chains and theme restaurants in Thailand increases demand for U.S. food ingredients.	Approximately 25 percent of ingredients are imported due to the availability of local inputs.
The expansion in the food manufacturing industry in Thailand creates new demand for food ingredients import from the United States.	

In 2013, consumer expenditures on food and beverages increased to 27.2 percent of total household spending reflecting rising and income levels in Thailand. Urban dwellers, in particular, have less time for food preparation due to longer working hours and a greater presence of women in the work force.

As a result, demand for processed versions of Thai cuisine is growing steadily. The same applies to Western processed food products as they are perceived as being higher quality than domestically processed food. With rising demand for processed foods, Thai food processors must import large quantities of food ingredients that are not locally available. The value of imported food ingredients for use in the food processing industry in Thailand stood at \$2.5 billion in 2013.

In 2013, Thailand was the 20th largest export market for U.S. agricultural products, excluding fish and forestry products. U.S. agricultural exports to Thailand increased 59 percent since 2007, from \$885 million to \$1,411 million. Top U.S. exports to Thailand in 2013 were soybeans, wheat, cotton, fish and seafood products, feed and fodders, distillers grains, hides and skins, fresh fruits, and dairy products.

Thailand's Food Processing Industry Outlook

Thailand's food processing industry has developed rapidly throughout the past decade and is one of the most developed in South East Asia. Its main products are frozen shrimp, sugar, poultry, canned tuna, confectionery and snacks, canned pineapple and tapioca. The main export markets for Thai processed

foods are Japan, the US and the EU. The seafood sector is the third largest in the world, after China and Norway, with 90 percent of the output being exported. Thailand processes agricultural produce at all levels: household, small and medium-sized enterprises (SMEs) and large industrial enterprises. The packaged food industry is highly fragmented, with the top ten companies controlling only about one-third of the sales value.

Sales of Packaged Food by Sector 2009-2013 (in Smillion)					
Products	2009	2010	2011	2012	2013
Baby Food	609.05	683.02	749.59	785.01	846.26
Bakery	680.09	805.80	927.43	974.15	1,052.12
Canned/Preserved Food	172.56	202.96	238.03	241.26	255.52
Chilled Processed Food	40.48	48.61	56.57	61.04	69.13
Confectionery	380.69	443.21	488.07	512.27	556.84
Dairy	1,783.32	2,110.51	2,273.86	2,423.90	2,631.85
Dried Processed Food	1,133.62	1,345.71	1,484.59	1,514.30	1,619.01
Frozen Processed Food	270.97	318.51	354.23	382.80	428.97
Ice Cream	249.49	280.04	308.39	331.78	364.65
Meal Replacement	95.71	118.49	134.81	142.81	156.69
Noodles	373.06	433.24	487.80	493.56	533.36
Oils and Fats	344.62	398.85	491.04	541.48	591.00
Pasta	8.98	10.30	11.24	11.62	12.41
Ready Meals	93.71	113.95	134.00	148.64	170.76
Sauces, Dressings and Condiments	802.61	918.15	1,001.92	1,034.79	1,103.74
Snack Bars	11.34	13.28	14.76	15.44	16.68
Soup	8.73	9.94	10.64	10.74	11.15
Spreads	51.91	58.73	63.86	65.62	69.36
Sweet and Savoury Snacks	621.94	723.85	799.55	838.65	927.15
Packaged Food	7,248.41	8,469.71	9,386.71	9,865.31	10,688.96
Source: Euromonitor					

Less time for household food preparation due to longer working hours and more women in the work force are expected to drive demand for processed foods. In addition, owners of Western-style food outlets and fast-food operations are expanding their presence throughout the country. In addition, increased disposable income should drive higher demand for wine, beer and spirits.

Instant Noodles

The instant noodle market in Thailand is estimated at \$552 million with an annual growth rate of 7 to 8 percent. The market is dominated by Thai President Foods, Thai Preserved Food and the Wan Thai Foods Industry Co. Thai President Foods, established in 1972 and affiliated with the Saha Pathana Group, is the biggest player in the noodles sector with its brand “MAMA.” Thai Preserved Food is directly competing with Thai President Foods with its “Wai Wai” brand. The average annual

consumption of instant noodle is 44 packs per capita. The market share of the pack-type category accounts for 80 percent of Thailand’s instant noodle market while the rest 20 percent us the cup-type category.

Company	Market Share (%)				
	2009	2010	2011	2012	2013
Saha Pathana Inter Holding Co., Ltd.	51.4	52.0	52.5	53.7	54.4
Thai Preserved Food Co., Ltd.	22.7	23.0	23.1	23.0	23.2
Wan Thai Foods Industry Co., Ltd. (Ajinomoto Co., Ltd.)	19.3	18.8	18.5	17.7	17.4
Others	6.6	6.2	5.9	5.6	5.0

Source: Euromonitor

Ice Cream

Thailand’s ice cream market total \$371 million in 2013. The combined market share of the two leading manufacturers (Unilever Thai and Nestle) is already over 70 percent. The ice cream market in Thailand can be categorized into 3 major markets, which are mass (10 percent), standard (30 percent), and premium (60 percent). Most ice-cream products available for middle and upper-income consumers are in dairy rather than water-based ice cream, as the former is clearly well-accepted among Thais. Unilever’s leading Wall’s ice-cream brand had huge success in 2012 with 400 percent growth in sales and the launch of its Magnum ice cream bar. Over \$32 million in additional sales was generated within 6 months after the product launch. There are ample opportunities for the ice cream market to grow in Thailand as ice cream consumption per capita is only 0.85 liters compared to 9.01 in Singapore. It is estimated that ice cream sales in Thailand will reach \$488 million by 2018. Currently, most ice-cream manufacturers have invested extensively in product research and added new ingredients to ice cream as a form of innovation.

Company	Market Share (%)				
	2009	2010	2011	2012	2013
Unilever Thai Holdings Ltd.	52.8	54.6	55.4	55.9	56.8
Nestle (Thailand) Ltd.	24.7	24.8	24.9	25.8	25.7
HD Distributors (Thailand) Co., Ltd.	2.7	2.8	2.8	2.9	3.0
American Foods Co., Ltd.	2.5	2.8	2.7	2.8	2.7
Chomthana Co., Ltd.	1.3	1.2	1.2	1.3	1.2
Others	13.0	13.8	13.0	11.3	10.6

Source: Euromonitor

Sweet and Savory Snacks

Demand for sweet and savory snacks in Thailand has continued to grow driven by aggressive advertising and marketing activities. Thailand’s market for sweet and savory snacks totaled \$881 million in 2013 with a growth rate of 5.7 percent. Pepsi-Cola (Thai) Trading Co., Ltd. has been the market leader in savory snacks since 2001 followed by Berli Jucker Plc. The two leading savory snack

brands in Thailand are Lay's by Frito-Lay and Tasto by Berli Jucker Plc. with combined sales of \$125 million or 26.3 percent share of the sweet and savory snacks market. Another key local player is Premier Marketing Pcl., which is the market leader for fish snacks using the "Taro" brand. In 2013, the fish snack segment was ranked fourth among the snack business and forecast to be at \$77 million in 2014.

Rising demand for healthier snacks is leading to stronger sales and more product varieties in other sweet and savory snacks, with fish snacks occupying the highest value share. Extruded snacks, such as processed potatoes, remain popular. Leading brands include Lay's Stacks, Pringles, and Potae. Rice crackers are also growing in sales, while the popularity of prawn crackers and processed nuts has declined. Crisp, nuts, and popcorn are also popular snacks in Thailand. United Food Plc., established in 1975, is the major manufacturer of packaged popcorn, but occupies only a small share of the overall market value.

Thai consumers have moved towards healthier snack products over the past couple of years, thus, many manufacturers have tried to reformulate their products to reduce the salt, sugar and fat content of their products.

Company	Market Share (%)				
	2009	2010	2011	2012	2013
Pepsi-Cola (Thai) Trading Co., Ltd.	26.6	26.6	26.4	26.3	25.5
Berli Jucker Plc.	10.0	9.9	10.1	10.2	10.1
TaoKaeNoi Food & Marketing Co., Ltd.	4.8	5.3	5.4	6.1	6.9
Premier Marketing Pcl.	5.0	5.1	5.1	5.4	6.0
Useful Food Co., Ltd.	5.9	5.8	5.8	5.7	5.5
Friendship Co., Ltd.	5.1	5.1	5.0	4.9	4.7
Others	42.6	42.2	42.2	41.4	41.3

Source: Euromonitor

Bakery

President Bakery is the leading baking company in Thailand. Established in 1980, the company is a subsidiary of the food product group of Sahaptanapibool Pcl. The company mainly manufactures and distributes bread and bakery under four major lines of business including wholesale bakery, retail, fast food, catering, and export. White bread remains the most popular bread type in Thailand, followed by whole-wheat. The latter is gaining popularity due to rising health awareness of Thais. Other major players in the baking sector include C&W Co., Ltd. and S.T. Bakery Co., Ltd. Strong competition in the retail bakery business are mainly from manufacturers that own their distribution channels through modern retailers such as Big C, Tesco Lotus, Tops supermarket, and 7-11 as well as modern chain bakery shops such as S&P, Yamazaki and Gateaux House.

In response to the demand for healthier bakery products, many manufacturers have introduced a wider range of flavored bread using natural ingredients like taro, pumpkin, potato with gingo bun, and mixed berries. Bread is popular among Thai office workers during breakfast due to its convenience and good compliment to the rising coffee culture in Thailand. The higher number of women joining the workforce has resulted in less time for meal preparation, thus, consumers are demanding products that

are easy to prepare and matches the new lifestyle. The growing Expat community also provides additional opportunities for bakery products.

The mass-market bakery has played a crucial role in the consumption of bakery products. Leading supermarkets and hypermarkets in Thailand such as Tesco-Lotus, Big C, and Makro have produced their own in-house bakery products. These major supermarkets and hypermarkets offer a variety of bakery products ranging from simple breads to sophisticated cakes, often at cheaper prices compared to branded products. Consumers, mostly lower-income, are attracted to the private label bakery products because of their competitive prices and freshness.

The demand for specialty bakery ingredients is relatively small. Most specialty ingredients are used by the middle-to-high end bakeries. A lot of bakers still lack awareness of specialty baking ingredients. Bakery ingredients produced in Thailand include wheat flour, bread improver, dough blend, wheat flour, rice flour, milk and cream (concentrated & not concentrated), butter milk, sugar, colors & flavors, and coconut oil. Thai bakery processors mostly use raw materials that are locally available, but import specialty ingredients. Sales of bakery products are forecast to grow by 5 percent and reach Baht 27.4 billion in 2018.

Company	Market Share (%)				
	2009	2010	2011	2012	2013
President Bakery Plc.	27.59	29.88	32.45	32.11	31.87
S&P Syndicate Plc.	4.68	4.88	5.01	5.03	5.02
CP Retailing and Marketing Co., Ltd.	4.27	4.25	4.45	4.47	4.50
C&W Interfoods Co., Ltd.	4.46	4.54	4.28	4.30	4.26
European Foods Pcl.	3.63	3.82	3.69	3.81	3.95
Bakery Co., Ltd., S.T.	3.14	3.14	2.83	2.73	2.72
Others	52.23	49.49	47.29	47.55	47.68

Source: Euromonitor

Fruit and Vegetable Juices

Sales of Thailand's domestic ready-to-drink fruit juice were estimated at approximately \$390 million in 2013. Consumption volume for the entire year totaled 307 million liters. The 100-percent fruit juice segment recorded the highest growth with a rate of 8 percent. The leading juice manufacturers include Tipco, Malee, Unif, and Doikham. The premium market segment includes both UHT and pasteurized beverages with a market size of \$145 million or total consumption volume of 64 million liters last year. Orange juice is the most popular flavor followed closely by apple, guava, grape, tomato, and pineapple.

Major fruit juice manufacturers in Thailand produce and distribute products domestically and internationally. They produce for their own brands and contract manufacturing business to produce beverage products in accordance with their customers' requirements. The vegetables and fruit beverages are expected to continue to expand as the population ages consumers become more health conscious. Thais are spending more time conducting research and gathering more information on health benefits and nutrition they get from products they consume.

Company	Market Share (%)				
	2009	2010	2011	2012	2013
Coca-Cola (Thailand) Ltd.	15.7	19.2	22.0	23.9	25.4
FoodStar Inc.	18.5	19.3	18.4	17.5	16.8
Tipco Foods (Thailand) Pcl.	12.9	12.7	12.5	12.6	12.7
Pepsi-Cola (Thai) Trading Co., Ltd.	7.9	8.4	9.0	9.3	9.6
Malee Sampran Plc.	6.8	6.7	6.5	6.3	6.2
Uni-President (Thailand) Co., Ltd.	6.5	6.4	6.3	6.2	6.2
Others	31.7	27.3	25.3	24.2	23.1

Source: Euromonitor

Road Map for Market Entry

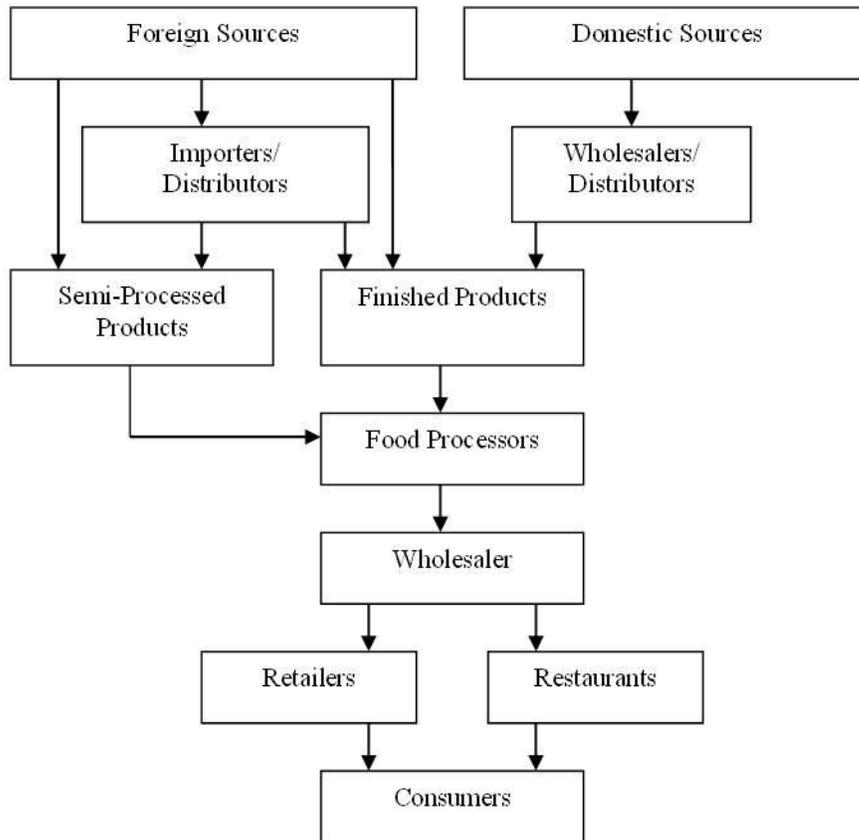
Entry Strategy

U.S. exporters looking to sell food ingredients to Thailand should first seek to establish good relationships with local importers, distributors and agents, the key stakeholders in the imported food ingredients market. The right distributors can offer U.S. exporters valuable market insight. For example, a team of food scientists could offer support to develop locally adapted product solutions, organize marketing and promotion events, and are capable to import, store and distribute products on a nationwide basis. Importers also often have established relationships with relevant government authorities within the Thai Food and Drug Administration (FDA), Customs, etc. Many small and medium-sized food processors buy relatively small volumes of ingredients to avoid complications associated with import documents and inventory. Thus, they often work through local importers.

U.S. exporters should also seek to work with large food processors, either directly or via local importers. These large food processors typically receive privileges under the Thai Board of Investment (BOI) that exempt import duties on re-exported items. In addition, most international food processors manufacturing in Thailand consume large quantities of food ingredients, but are not authorized to make buying decisions in the use of ingredients. Therefore, U.S. exporters can deal directly with international food processors to determine where purchasing decisions are made, (e.g. Nestle, Unilever, airline caterings, etc.)

There are two main channels for exporting food ingredients to Thailand. The first channel is through importers that have their own distribution network (wholesalers and retailers) and/or distribute directly to manufacturers. The second channel is through food processors that import directly from the country of origin. However, most food processors import food ingredients through importers to avoid having to maintain large stocks, and thereby minimize the risk of the product expiring. Only major food processors import directly from the country of origin to save cost when importing large volumes. Most imported food ingredients are marketed and distributed by exclusive or authorized distributors in Thailand. This allows food ingredients manufacturers to focus and control their technical support while leveraging on the distributor's network of wholesalers, retailers and direct end-users.

The following chart shows how food ingredients are passed from foreign or domestic sources to Thai food processors.



Competition

Due to Thailand's wide range of agricultural resources, most food processors can source inputs domestically. However, local production facilities still lack many higher-value and technology-based ingredients. Importers report that U.S. food ingredient exporters are generally less competitive in terms of price, service, and delivery time, but that they offer high quality products and consistent service. Many Thai buyers note that prices of U.S. ingredients are relatively high compared to ingredients from Australia, Canada, and China. In order to avoid price competition with other exporting countries, U.S. exporters need to focus on product innovation, services, technical support, quality, and position their products in the middle-high price range. Considerable investment will be required to educate food manufacturers through importers/distributors and encourage manufacturers to produce higher-quality products through R&D and technical support. In the meantime, Trade shows (Food Ingredients Asia show, <http://www.figlobal.com/en/asia-thailand/home>) and promotions are also highly effective ways to promote U.S. food ingredients and compete with similar products from Europe, Australia, and Canada. However biotech ingredients are an issue in a number of Asian countries requiring a U.S. supplier to provide necessary documentation regarding biotech ingredient requirements. In addition, U.S. suppliers must be prepared to lend considerable technical support to food processors, large local food processors, and distributors to develop innovative products that will boost the demand for their ingredients. This

support may be provided in Thailand or in locations outside of Thailand where formulation and purchasing decisions are made.

Best Product Prospects

Products Currently Available

It is important to recognize that most ingredients being used internationally are now being used in Thailand's food and feed industries. In comparison to more advanced countries, the amount used is still relatively small, but there are opportunities for expansion. The following higher-value products are presently moving well in the market:

- Emulsifying, foaming, stabilizing and thickening agents. These products are used in frozen foods, bakery products, ice cream, evaporated milk and confectionery products. The amount of these ingredients has increased in domestic use.
- Colors and flavors. These products are used in non-alcohol beverages, ice cream and other dairy products, confectionery products, snack foods, bakery, instant noodles and a wide range of processed meats. Demand for non-alcohol beverages, snacks, and confectioneries are also expanding.
- Sweeteners. The use of sweeteners in soft drinks and other non-alcohol beverages as well as the confectionery industry is significant and continues to grow. The market for more refined sweeteners has greater potential.
- Soy lecithin. Soy lecithin can substitute for egg yolk, which has been used as an emulsifier in cakes, doughnuts, and cookies. Soy lecithin contains no cholesterol but its phospholipids are similar to those of egg yolk.
- Concentrated fruit juice. Demand for fruit and vegetable juice has considerable room for growth. As Thais consume an average of just 2.8 liters of juice per year compared to 28 liters per person in the United Kingdom and 40 liters in the US.

Products with Good Sales Potential that are not Presently Marketed

Products that can substitute for traditional ingredients, such as preservative-free ingredients that provide extended shelf life and nutrient/functional ingredients have strong potential in Thailand. Thai consumers prefer new foods that are flavor-intensive, palate-pleasing and healthy. Food ingredients that maximize flavor and healthful benefits will continue to experience growth in Thailand.

Post Contact and Further Information

The Foreign Agricultural Service in Bangkok maintains up-to-date information covering food and agricultural import opportunities in Thailand and would be pleased to assist in facilitating U.S. exports and entry to the Thai market. Questions or comment regarding this report should be directed to the Foreign Agricultural Service in Bangkok at the following addresses:

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Food Ingredient Import Statistic 2011-2013

Description	HS Code	Country	Import Value (In Thousand U.S. Dollar)			Market Share (%)	%Change 2013/2012
			2011	2012	2013		
Skim Milk Powder	040210	New Zealand	103,363	72,798	64,317	26.47%	-12%
		USA	32,672	21,378	44,853	18.46%	110%
		Australia	31,659	43,594	37,495	15.43%	-14%
		World	221,976	198,466	242,947	100.00%	22%
Whey in Powder Form	0404	USA	23,492	19,570	21,903	24.39%	12%
		France	18656.742	19456.031	19,684	21.92%	12%
		Netherlands	10,753	10,383	9,137	10.17%	-12%
		World	83,049	83,317	89,805	100.00%	8%
Cheese		New Zealand	13,882	12,360	13,444	27.48%	9%
		Australia	11,910	12,674	12,942	26.45%	2%
		USA	2,074	3,125	4,728	9.66%	51%
		World	42,700	42,583	48,925	100.00%	15%
Dairy Products (Excl. Cheese)	GTA	New Zealand	288,891	257,852	264,297	41.22%	2%
		Australia	70,236	73,250	78,086	12.18%	7%
		USA	61,036	42,788	70,889	11.06%	66%
		World	616,110	612,544	641,183	100.00%	5%
Dried Vegetables	0712	China	70,193	58,638	63,725	89.24%	9%
		Indonesia	974	973	2,226	3.12%	129%
		USA	1,522	1,537	1,587	2.22%	3%
		World	74,689	64,537	71,408	100.00%	11%
Dried Peas	071310	Canada	2,925	2,640	2,676	45.10%	1%
		New Zealand	968	1,132	1,622	27.34%	43%
		USA	309	171	202	3.40%	18%
		World	4,683	5,836	5,932	100.00%	2%
Dried Lentils	071340	USA	71	217	304	54.62%	40%
		India	0	81	113	20.37%	41%
		China	0	0	59	10.65%	-
		World	426	393	556	100.00%	41%
Eggs & Products	GTA	Italy	2,917	4,510	4,012	18.86%	-11%
		France	3,036	3,218	3,526	16.58%	10%
		USA	2,104	1,272	2,410	11.33%	89%
		World	13,646	18,666	21,268	100.00%	14%
Essential Oils		Singapore	73,758	86,359	84,340	37.18%	-2%
		USA	13,589	18,519	24,429	10.77%	32%
		Japan	21,744	25,261	24,386	10.75%	-3%
		World	198,930	229,716	226,843	100.00%	-1%
Nuts	0802	USA	12,352	15,485	18,964	42.03%	22%
		China	16,278	16,819	16,648	36.90%	-1%
		Australia	5,921	5,567	5,966	13.22%	7%
		World	37,799	40,636	45,115	100.00%	11%
Raisin	80620	USA	2,933	3,056	3,647	63.12%	19%
		China	1,166	2,041	1,955	33.85%	-4%
		India	0	0	76	1.31%	-
		World	4,135	5,200	5,777	100.00%	11%
Other Dried Fruits	0813	China	880	1005	1462.164	38.82%	45%
		USA	729	1,046	844	22.40%	-19%
		Thailand	112	78	414	11.00%	433%
		World	3,777	2,831	3,766	100.00%	33%

Wheat Flour	1101	Vietnam	14,440	23,511	25,724	26.78%	9%
		Turkey	16,112	21,793	13,928	14.50%	-36%
		USA	60	99	43	0.04%	-57%
		World	109,075	113,753	96,053	100.00%	-16%
Corn Flour	110220	UK	440	1432	1331	0.554736552	-7%
		USA	157	67	412	17.18%	513%
		Germany	59.2	165	247	10.28%	49%
		World	1,116	2,013	2,399	100.00%	19%
Flour amd Flakes of Potatoes	1105	Germany	3,306	3,229	1,767	33.01%	-45%
		USA	1,162	1,237	1,677	31.31%	36%
		Denmark	402	1,188	1,384	25.85%	16%
		World	5,993	6,070	5,355	100.00%	-12%
Starches	1108	Germany	12,928	18,777	11,190	22.96%	-40%
		Australia	5,194	6,633	6,577	13.50%	-1%
		USA	885	1,697	725	1.49%	-57%
		World	55,687	61,064	48,732	100.00%	-20%
Wheat Starch	110811	Australia	4,094	6,247	6,273	81.21%	0%
		France	293	427	735	9.52%	72%
		USA	556	583	317	4.10%	-46%
		World	5,384	7,658	7,724	100.00%	1%
Cassava Starch	110814	Thailand	125	121	245	46.97%	102%
		USA	137	114	169	32.50%	48%
		Laos	71	561	52	10.02%	-91%
		World	474	1,647	521	100.00%	-68%
Wheat Gluten	1109	Australia	4,442	3,624	4,297	34.03%	19%
		China	3,677	3,180	4,199	33.25%	32%
		USA	66	106	137	1.08%	30%
		World	15,009	12,206	12,629	100.00%	3%
Soybeans	1201	Brazil	705,765	772,344	662,460	65.46%	-14%
		USA	269,327	395,854	226,227	22.35%	-43%
		Argentina	126528.68	30352.601	83,792	8.28%	176%
		World	1,129,876	1,288,812	1,012,033	100.00%	-21%
Mustard Seeds	120750	Canada	5,351	2,745	1,431	87.30%	-48%
		USA	420	434	181	11.07%	-58%
		Australia	39	30	24	1.47%	-21%
		World	5,859	3,212	1,639	100.00%	-49%
Olive Oil	1509	Spain	7,055	8,041	10,876	55.05%	35%
		Italy	6,408	5,429	6,630	33.56%	22%
		USA	11	10	140	0.71%	1262%
		World	14,950	15,078	19,757	100.00%	31%
Margarine	1517	Malaysia	27,557	20,447	7,929	22.28%	-61%
		Singapore	10,355	5,240	6,877	19.32%	31%
		USA	4,273	4,308	6,823	19.17%	58%
		World	61,753	44,910	35,595	100.00%	-21%
Sugar/Sweetener/Beverage Bases	GTA	China	36,344	38,972	57,106	61.84%	47%
		Cambodia	202	-	8,423	9.12%	
		USA	4,915	5,352	6,204	6.72%	16%
		World	76,116	61,004	92,348	100.00%	51%

Malt Extract	190190	Australia	59,934	57,778	146,317	53.33%	153%
		Malaysia	30,000	80,433	48,383	17.63%	-40%
		USA	24,227	20,327	6,874	2.51%	-66%
		World	220,704	294,528	274,364	100.00%	-7%
Bakers Premixes and Doughs	190120	China	1,563	2,335	2,976	22.16%	27%
		USA	1,835	2,277	2,654	19.76%	17%
		Germany	1,208	1,202	1,699	12.65%	41%
		World	10,088	12,325	13,428	100.00%	9%
Vegetables, Fruits, and Nuts Preserved by Sugar	2006	China	2,572	3,005	4,892	76.55%	63%
		USA	637	623	537	8.41%	-14%
		Thailand	350	310	283	4.43%	-9%
		World	3,936	4,330	6,390	100.00%	48%
Pears (Preserved)	200840	China	8,999	663	9,662	99.56%	1358%
		USA	19	21	18	0.18%	-16%
		Australia	11	13	15	0.16%	23%
		World	9,060	6,737	9,705	100.00%	44%
Cherries (Preserved)	200860	USA	2,245	2,064	1,924	96.24%	-7%
		Australia	-	3	28	1.42%	752%
		China	41	34	25	1.27%	-26%
		World	3,684	2,136	1,999	100.00%	-6%
Strawberries (Preserved)	200880	China	128	397	415	57.11%	5%
		USA	151	188	224	30.90%	19%
		France	81	84	40	5.50%	-53%
		World	434	765	727	100.00%	-5%
Yeast, Active	210210	France	6,292	8,899	7,799	45.46%	-12%
		Vietnam	3,433	3,298	3,476	20.26%	5%
		USA	50	4	231	1.35%	5990%
		World	14,718	17,093	17,154	100.00%	0%
Yeast, Inactive	210220	USA	791	2,099	1,951	30.16%	-7%
		China	802	723	1,083	16.74%	50%
		Japan	2,639	1,621	946	14.63%	-42%
		World	7,633	7,170	6,466	100.00%	-10%
Protein Concentrates and Textured Protein Substances	210610	China	293	771	1,667	21.15%	116%
		Japan	1976.133	1583.153	1365.184	17.32%	-14%
		USA	951	1,014	604	7.66%	-40%
		World	6,681	7,587	7,882	100.00%	4%
Lecithins	292320	Argentina	2,276	7,041	3,712	41.54%	-47%
		USA	1,230	1,005	1,646	18.42%	64%
		India	255	1057	1198	13.41%	13%
		World	6,453	12,298	8,937	100.00%	-27%
Enzymes	350790	Denmark	7796.135	9472.42	10941.678	18.90%	16%
		Finland	8,050	12,103	10,830	18.71%	-11%
		USA	4,887	5,674	7,264	12.55%	28%
		World	47,494	56,952	57,889	100.00%	2%

End of the report.